



2007-2008 Winter Heating Season

Presentation To:

Delaware Public Service Commission

June 17, 2008

CHESAPEAKE
UTILITIES CORPORATION



Where are Energy Prices Going?

- The U.S. Energy Information Administration (EIA)'s Short-Term Energy Outlook (June 10, 2008) predicted that the average Henry Hub natural gas spot price would be approximately 53 percent higher for 2008 and 2009 as compared to 2007 (\$11 vs. \$7.17 per Mcf)
- EIA also predicts that consumption in the Middle Atlantic Region would be down 3 percent
- As a result gas costs rates could increase rather significantly this winter



Impact of Higher Gas Costs

- Higher gas prices tend to reduce retail demand for natural gas
- Higher gas prices challenge our efforts to maintain positive customer relationships
- Higher gas prices impact all consumers and businesses, especially fixed and/or lower income families
- Higher gas prices increase operating expenses



Actual Impact to Date

- Chesapeake notified the Commission Staff that its gas cost under collection balance has exceeded 6% of projected firm gas costs for the current period and that it will be filing for an adjustment
- Chesapeake has not seen an impact on customers behind in paying their bills

What Can Chesapeake Do?

- Chesapeake can help its customers in a variety of ways:
 - ☐ Price Mitigation
 - ☐ Customer Awareness
 - ☐ Budget Billing
 - ☐ Conservation Tips
 - ☐ Fuel Fund Assistance
 - ☐ Sharing Fund

Price Mitigation

- Chesapeake can help its customers by engaging in **Price Mitigation** measures:
 - Chesapeake plans to meet a total of approximately 68% of its upcoming winter requirements through a combination of storage gas and gas purchased prior to the winter season
 - 18% through storage gas
 - 50% through gas purchased prior to the winter season



Customer Awareness

- Chesapeake can help its customers by increasing **Customer Awareness**:
 - Chesapeake's intent is to notify its customers of the potential for higher prices this winter along with any changes resulting from its recent base rate proceeding
 - Chesapeake has already begun promoting its budget billing program and sharing energy conservation tips with its customers

Budget Billing

■ Chesapeake can help its customers by offering **Budget Billing:**

- Allows customers to spread out their winter heating bills over a nine-month period. This eliminates “surprise” bills and helps customers better budget their monthly energy expenditures
- Chesapeake began promoting and enrolling customers in June 2008
- Chesapeake will be expanding its eligibility starting this year to include all residential and small commercial customers



Conservation Tips

- Chesapeake can help its customers by providing **Conservation Tips:**
 - Mailing Customer Guides (Fall 2008)
 - Customer newsletter (Fall 2008)
 - On the website @ www.chpkgas.com
 - On “on-hold” phone messages
 - Energy Efficiency fliers and conservation tip brochures available at our walk-in location



Fuel Fund Assistance

- Chesapeake can help its customers by providing **Fuel Fund Assistance:**

- Chesapeake works with social service agencies to provide assistance to income eligible customers
- Chesapeake works with social service agencies to administer its own fuel fund program, called **Sharing**, to provide additional assistance to income eligible customers when other resources are not available

Sharing Fund

- Chesapeake can help its customers by providing assistance through the **Sharing Fund**:
 - Sharing is a non-profit fund under the auspices of Chesapeake Utilities Corporation
 - Donations are contributed by Chesapeake's customers, employees, and the Company
 - Social Service agencies determine eligibility when other resources are unavailable
 - Grant levels have increased in each of the last 3 years
 - New grants added for customers recently unemployed or facing foreclosure



What can Customers Do?

■ Customer options

- ☐ Customers can enroll in Chesapeake's Budget Billing program
- ☐ Customers can follow tips on conserving energy
- ☐ Customers who qualify can seek assistance